

PensionBenefits, Inc.

**RTA Employees'
Defined Benefit Plan & Trust**

**Actuarial Valuation Report as of January 1, 2011 for
the Plan Year Ending December 31, 2011**

April 2011

Prepared by:

PensionBenefits, Inc.
700 E. Park Blvd.
Suite 108
Plano, TX 75074
972.424.2230

April 7, 2011

Ms. Susan Vinson
Finance Director
Regional Transportation Authority
5658 Bear Lane
Corpus Christi, TX 78405

Re: Actuarial Valuation of the *RTA Employees' Defined Benefit Plan & Trust* as of January 1, 2011

Dear Susan:

We are pleased to present our Report of the actuarial valuation of the *RTA Employees' Defined Benefit Plan & Trust* as of January 1, 2011.

In addition to the actuarial valuation results, various accounting and employee listings are also included which should help you compare this plan year with prior years.

Based upon the actuarial valuation as of January 1, 2011, it is our opinion that the *RTA Employees' Defined Benefits Plan & Trust* is actuarially sound and that these results reasonably reflect the funding status and requirements of the plan.

We would like to thank you for your assistance in providing all necessary data to complete this valuation. Please do not hesitate to let us know if you have any questions or need additional information.

Sincerely,


Kien Liew, EA, FCA, MAAA
Consulting Actuary


Mark A. Cavazos, ASA
Manager, Pension Services

RTA Employees' Defined Benefit Plan & Trust

CONTENTS

| Section | | Page |
|----------------|-------------------------------------|-------------|
| | Transmittal Letter | |
| | Table of Contents | |
| 1. | Executive Summary | 1 |
| 2. | Introduction | 2 |
| 3. | Annual Contribution Amount | 3 |
| 4. | Plan Assets | 5 |
| 5. | Actuarial Gains and Losses | 8 |
| 6. | GASB No. 25 Disclosure | 10 |
| 7. | Summary and Closing Comments | 13 |
| 8. | Plan Specifications | 15 |
| 9. | Demographic Data | 17 |
| 10. | Schedule of Benefits | 56 |

Section 1. EXECUTIVE SUMMARY

The key results from the actuarial valuation of the RTA Employees' Defined Benefit Plan as of January 1, 2011, may be summarized as follows:

| | 2011 | 2010 |
|---|--------------------|----------------------|
| 1. Participants | | |
| a. Actives | 188 | 205 |
| b. Deferred Vested | 142 | 136 |
| c. Retirees & Beneficiaries | <u>75</u> | <u>66</u> |
| d. Total | 405 | 407 |
| 2. Covered Payroll | \$7,073,120 | \$7,246,596 |
| 3. Normal Cost (NC) | \$641,269 | \$659,462 |
| Percent of covered payroll | 9.1% | 9.1% |
| 4. Present Value of Future Benefits | \$28,119,419 | \$27,115,434 |
| 5. Actuarial Accrued Liability | \$23,682,639 | \$22,390,777 |
| 6. Actuarial Asset Value | \$21,547,899 | \$17,913,932 |
| 7. Unfunded Actuarial Accrued Liability (UAAL) | \$2,134,740 | \$4,476,845 |
| 8. Actuarial Assets as percent of Accrued Liability | 91.0% | 80.0% |
| 9. Actuarial Gains/(Losses) | | |
| a. Due to experience | \$2,174,551 | \$2,369,481 |
| b. Due to assumption/method change | N/A | N/A |
| c. Due to plan amendment | N/A | N/A |
| d. Total | \$2,174,551 | \$2,369,481 |
| 10. Annual Contribution Amount (assumed contribution on January 1): | | |
| Percent of covered payroll | \$885,650 12.5% | \$1,150,032 15.9% |
| 11. GASB NO. 25 Disclosure | | |
| a. Actuarial Accrued Liability (AAL) | \$23,682,639 | \$22,390,777 |
| b. Unfunded Actuarial Accrued Liability (UAAL) | \$2,134,740 | \$4,476,845 |
| c. GASB funded ratio (assets as % of AAL) | 91.0% | 80.0% |
| d. UAAL as percent of payroll | 30.2% | 61.8% |
| 12. Investment return assumption | 7.5% | 7.5% |
| 13. Salary increase assumption | 3.5% | 3.5% |

Section 2. INTRODUCTION

This January 1, 2011 actuarial valuation of the RTA Employees' Defined Benefit Plan has been prepared by PensionBenefits, Inc. The primary purpose of the valuation is to value the liabilities of the plan as of January 1, 2011, determine the RTA's contribution, and to provide certain disclosure information

Section 1 provides a summary of the valuation results. Section 3 shows the development of the annual contribution amount. Assets are discussed in Section 4. Section 5 contains an analysis of the actuarial gains and losses during the past year.

Government Accounting Standards Board Statement No. 25 (GASB No. 25) information in the report is discussed in Section 6. Section 7 summarizes our findings.

Section 8 summarizes the plan provisions and actuarial assumptions used in the valuation. Sections 9 and 10 list census data and benefits.

Section 3. ANNUAL CONTRIBUTION AMOUNT

The annual contribution amount is the normal cost plus the amortization of the unfunded actuarial liability as a level dollar amount over 15 years from January 1, 2009 (13 years remain). This is the same approach as used in the prior year.

The normal cost and actuarial accrued liability are developed based on the entry-age-normal (EAN) actuarial cost method.

Section 3.1 Development of Annual Contribution Amount

Section 3.1 DEVELOPMENT OF ANNUAL CONTRIBUTION AMOUNT

| | | | |
|----|---|----|-----------|
| 1. | Normal Cost (NC) | \$ | 641,269 |
| 2. | Amortization Amount | | 244,381 |
| | a. Unfunded Accrued Liability (UAAL) | \$ | 2,134,740 |
| | b. Number of years remaining on 15-year amortization starting 1/1/2009 | | 13 |
| | c. Amortization factor | | 8.7353 |
| | d. Amortization amount (a / c) | | 244,381 |
| 3. | Annual Contribution Amount at 1/1/2011: (1 + 2) | \$ | 885,650* |

* Contribution payable on January 1, 2011. All amounts outstanding shall accrue an interest at a rate of 7.5% per annum until paid.

Section 4. PLAN ASSETS

An analysis of the change in the Plan assets since the prior valuation and an estimate of the yield on assets for the Plan are included in section 4.1

Section 4.1 Change in Assets

Section 4.2 Description of Assets

Section 4.1: CHANGE IN ASSETS

| | Market Value |
|--|---------------------|
| 1. Plan assets as of January 1, 2010 | \$ 17,913,932 |
| 2. Employer contributions | 1,168,423 |
| 3. Benefit payments made | 481,119 |
| 4. Expenses paid from trust | 18,228 |
| 5. Investment return | <u>2,964,891</u> |
| 6. Plan assets as of December 31, 2010 (1+2-3-4+5) | \$ 21,547,899 |
| 7. Rate of return on average invested assets | |
| a. Average invested assets: $[1 + 0.5 \times (2-3)]$ | \$ 18,257,584 |
| b. Actual rate of return: $[(5-4) / 7a]$ | 16.1% |
| 8. Actuarial asset gain (loss) | |
| a. Expected rate of return | 7.5% |
| b. Actual rate of return over expected: $[7b - 8a]$ | 8.6% |
| c. Actuarial asset gain (loss): $[7a \times 8b]$ | \$ 1,570,152 |

Section 4.2: DESCRIPTION OF ASSETS

| | Market Value |
|--------------------------------------|---------------------|
| 1. Cash and Cash Equivalents | \$ 325,447 |
| 2. Equities | 15,597,298 |
| 4. Fixed Income | |
| a. Corporate Obligations | 5,618,943 |
| b. Government Obligations | <u>0</u> |
| 5. Trust Asset Balance at 12/31/2010 | \$ 21,541,688 |
| 8. Accrued Income | 6,211 |
| 8. Contribution Receivable | <u>0</u> |
| 9. Total Assets at 12/31/2010 | \$ 21,547,899 |

Section 5: ACTUARIAL GAINS AND LOSSES

An important part of the changes in unfunded actuarial accrued liability from year to year is due to the impact of actuarial gains and losses of the Plan.

Section 5.1: Actuarial Gain or Loss as of December 31, 2009

Section 5.1: ACTUARIAL GAIN / (LOSS) AS OF DECEMBER 31, 2010**Calculation of Total Actuarial Gain / (Loss)**

| | | | |
|----|--|----|----------------|
| 1. | Unfunded actuarial accrued liability (UAAL) as of 1/1/2010 | \$ | 4,476,845 |
| 2. | Normal cost as of January 1, 2010 | | 659,462 |
| 3. | Actual contributions for 2010 | | (1,168,423) |
| 4. | Interest at rate of 7.5% for year ending 12/31/2010 | | |
| | a. On UAAL | | 335,763 |
| | b. On normal cost | | 49,460 |
| | c. On contributions | | (43,816) |
| | d. Total | | <u>341,407</u> |
| 5. | Increase in UAAL due to actuarial assumption change | | N/A |
| 6. | Expected UAAL (1 + 2 + 3 + 4d + 5) | | 4,309,291 |
| 7. | Actual UAAL | | 2,134,740 |
| 8. | Actuarial gain/(loss) for the year (6 – 7) | \$ | 2,174,551 |

Source of Gains / (Losses)

| | | | |
|-----|--|----|-----------|
| 9. | Due to experience during the year | | |
| | a. Asset experience | | 1,570,152 |
| | b. Liability experience | | 604,399 |
| 10. | Due to actuarial assumption change | | N/A |
| 11. | Due to plan amendment | | N/A |
| 12. | Adjustment due to overfunding | | N/A |
| 13. | Total gain/(loss) for the year (9a + 9b + 10 + 11 + 12) | \$ | 2,174,551 |

Section 6: GASB NO. 25 DISCLOSURE

The Governmental Accounting Standards Board (GASB) has issued statement No. 25 which provides the manner in which the actuarial condition of a public sector retirement plan is to be disclosed. This disclosure format is required for plan years beginning after June 15, 1996, which in this case is the plan year beginning January 1, 1997.

Assets used for GASB No. 25 disclosure are based on the actuarial value which is also equal to market value for the RTA Employees' Defined Benefit Trust. Plan liabilities are based on the funding method used for determining plan liabilities for valuation purposes (EAN method), as required by GASB No. 25. The current level percent of pay funding cost method meets GASB 25 requirements for funding the plan.

Section 6.1 Schedule of funding progress

Section 6.2 Schedule of annual required contributions

Section 6.3 Required supplementary information

Section 6.1: SCHEDULE OF FUNDING PROGRESS
(as required by GASB No. 25)

| Plan Year Beginning January 1 | Net Assets Available for Benefits | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Percent Funded | Annual Covered Payroll | UAAL as a percentage of Covered Payroll |
|-------------------------------|-----------------------------------|-----------------------------------|---|----------------|------------------------|---|
| 1999 | \$8,909,522 | \$10,368,700 | \$1,459,178 | 85.9% | \$4,801,748 | 30.4% |
| 2000 | 10,886,734 | 13,579,715 | 2,692,981 | 80.2% | 5,042,726 | 53.4% |
| 2001 | 10,665,029 | 12,095,483 | 1,430,454 | 88.2% | 5,167,098 | 27.7% |
| 2002 | 10,176,468 | 10,448,503 | 272,035 | 97.4% | 5,702,517 | 4.7% |
| 2003 | 9,495,065 | 11,978,973 | 2,483,908 | 79.3% | 6,020,540 | 41.3% |
| 2004 | 11,453,426 | 12,488,748 | 1,035,322 | 91.7% | 6,223,960 | 16.4% |
| 2005 | 12,996,121 | 14,027,843 | 1,031,722 | 92.6% | 6,566,065 | 15.7% |
| 2006 | 15,047,251 | 15,076,504 | 29,253 | 99.8% | 6,758,209 | 0.4% |
| 2007 | 17,064,846 | 16,686,030 | 0 | 102.3% | 6,338,961 | 0.0% |
| 2008 | 18,514,359 | 18,587,028 | 72,669 | 99.6% | 6,394,664 | 1.1% |
| 2009 | 13,297,998 | 20,416,886 | 7,118,888 | 65.1% | 6,634,041 | 107.3% |
| 2010 | 17,913,932 | 22,390,777 | 4,476,845 | 80.0% | 7,246,596 | 61.8% |
| 2011 | 21,547,889 | 23,682,639 | 2,134,740 | 91.0% | 7,073,120 | 30.2% |

**Section 6.2 SCHEDULE OF ANNUAL REQUIRED CONTRIBUTIONS
(as required by GASB No. 25)**

| Plan Year Beginning January 1 | Annual Required Contribution Amount | Annual Required Contribution Percent* | Percentage Contributed |
|-------------------------------|-------------------------------------|---------------------------------------|------------------------|
| 1999 | \$ 302,977 | 6.0% | 100.0% |
| 2000 | 273,023 | 5.2% | 44.0% |
| 2001 | 424,802 | 7.9% | 0.0% |
| 2002 | 619,393 | 10.4% | 36.3% |
| 2003 | 854,944 | 13.6% | 58.5% |
| 2004 | 677,500 | 10.8% | 100.0% |
| 2005 | 692,096 | 10.5% | 214.9% |
| 2006 | 553,797 | 8.2% | 100.0% |
| 2007 | 529,681 | 8.2% | 100.0% |
| 2008 | 576,140 | 9.0% | 100.0% |
| 2009 | 1,335,977 | 21.8% | 100.0% |
| 2010 | 1,150,032 | 15.9% | 100.0% |
| 2011 | 885,650† | TBD | TBD |

*As a percent of covered payroll.

†Contribution payable on January 1, 2011. All amounts outstanding shall accrue an interest at a rate of 7.5% per annum until paid.

Section 6.3: NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | |
|----------------------------|---|
| Valuation date | January 1, 2011 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level dollar amount over 15 years from January 1, 2009 (13 years remaining) |
| Asset valuation method | Market value |
| Actuarial assumptions: | |
| Investment rate of return | 7.5% |
| Projected salary increases | 3.5% |

Section 7. SUMMARY AND CLOSING COMMENTS

It is our opinion that the results of this valuation provide a reasonable reflection of the funding status of the Plan and that the RTA Employees' Defined Benefit Plan & Trust is actuarially sound provided RTA contribute the annual contribution amount to the trust.

A contribution of this amount will meet the GASB 25 funding requirements.

Section 8. PLAN SPECIFICATIONS

Type of Entity: Local Government

Plan Provisions

Effective Date: July 21, 1986

Employee: Any person, excluding independent contractors, receiving remuneration for personal services rendered to the Employer.

Employer: Corpus Christi Regional Transportation Authority

Plan Year: January 1 to December 31.

Participation: Commencement of full-time employment or reemployment.

Employee Contributions: None required or permitted.

Compensation: W-2 wages paid during a calendar year and any employee salary reduction under Code §125, §457 or §414(h).

Average Compensation: Three year average of Compensation.

Accrued Benefit: 2% of average monthly compensation multiplied by total years of service. Service prior to 7/21/1986 is excluded.

Normal Form: Joint and 50% survivor annuity for married participants.
Single life annuity for single participants.

Actuarial Equivalence:

Interest: 7.0%

Mortality: 1984 Unisex Mortality Table

Lump Sum Payments:

Interest: 7.0%

Mortality: 1984 Unisex Mortality Table

Normal Retirement:

Eligibility: First of month after attaining age 62.

Benefit: Accrued Benefit.

Early Retirement:

Eligibility: First of the month after attaining age 55 and completion of 10 years of service.

Benefit: Accrued Benefit reduced 5% per each year commencement precedes Normal Retirement Date.

Death Benefits:

Eligibility: Death after completion of three years of service.

Benefit: Qualified Pre-retirement Survivors Annuity.

Termination benefit:

Vesting percent: According to the following schedule:

| Years of service | Vested percent |
|------------------|----------------|
| Under 3 | 0% |
| 3 | 20% |
| 4 | 40% |
| 5 | 60% |
| 6 | 80% |
| 7+ | 100% |

Benefit: Accrued benefit multiplied by the Vested Percent.

Actuarial Funding Method

Valuation Date: First day of the Plan Year.

Actuarial Cost Method: The Individual Entry Age Normal Method based on a level percent of compensation.

Actuarial Value of Assets: Market value.

Actuarial Assumptions

Mortality: RP 2000 Mortality Table

Expected Retirement Age: All participants were assumed to retire at age 62.

Withdrawal Rate: Turnover Table 5.

Disability Rate: None assumed.

Investment Rate of Return: 7.5% annually.

Salary Increase Rate: 3.5% per year.

Section 9. DEMOGRAPHIC DATA

Section 9.1 provides the census data used in the valuation. Section 9.2 provides a reconciliation of the demographic information from the prior year to the current year.

Section 9.1 Census data

Section 9.2 Data reconciliation